



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 06/08/99

AGENDA ITEM 6

WORK SESSION ITEM _____

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Public Hearing for the Review of the Operating Budget for the City of Hayward and the Redevelopment Agency Budget for the Fiscal Years 1999-00 and 2000-01, the 1999-00 Master Fee Schedule, the 1999-00 Gann Appropriation Limit and the Five Year Capital Improvement Program 1999-00 through 2003-04

RECOMMENDATION:

It is recommended that the City Council:

1. Conduct a public hearing on the 1999-2001 Two-year Operating Budget, the 1999-2001 Redevelopment Agency budget, the 1999-00 Gann Appropriation Limit, the 1999-00 Master Fee Schedule and the Five Year Capital Improvement Program 1999-00 through 2003-04.
2. Direct staff to prepare the necessary resolutions to implement Council budget decisions for Council consideration and formal action on June 22, 1999.

BACKGROUND:

For the first time in more than a decade, the City has developed a budget covering two years, which allows for the development of priorities over a longer time span than has been the norm in recent years. Although the Recommended Budget pertains to two fiscal years, consistent with Charter provisions, approval is recommended for only the first year. The second year of the Recommended Budget, then, is considered a spending plan that will serve as the framework for the budget that will be presented next year for formal action.

The 1999-00 Budget for the City of Hayward maximizes the City's anticipated resources to meet the priority objectives the Council. For 1999-00, the budget represents expenditures of \$126.5 million for all City funds. Of this total, \$73.4 million is in the General Fund, and \$37.2 million is in the Enterprise Funds, with the balance distributed between the City's Special Revenue, Debt Service, and Internal Service funds.

The budget, which includes the Redevelopment Agency budget, was provided to the City Council in early May and has been available for public review since that time. By way of providing a summary of the overall direction of the recommended budget, the budget message presented to you in the budget document is attached for Council's reference (Attachment A).

Council Work Sessions

Three work sessions have been held for Council review and discussion of the operating budget. During those work sessions certain issues were raised which require final direction from City Council to staff. These items are discussed in Attachment B, Budgetary Issues/Adjustments and Narrative Modifications.

In addition to the narrative modifications presented in Attachment B, the Council is also being asked to approve one budgetary change. The Recommended Budget includes \$50,000 in 1990-00 to support the Neighborhood Initiatives Program. During the May 20 work session, it was reported that largely through oversight, staff neglected to include a like amount for the second year. It was agreed that the budget should be revised to include \$50,000 in the second year as well. The Council is asked to reaffirm this direction.

In addition to the Operating Budget, Council has reviewed the Five Year Capital Improvement Program (CIP) Budget. As previously noted, the Planning Commission has also reviewed the CIP and confirmed that it is consistent with the general plan.

Master Fee Schedule for 1999-00

At its May 25 work session, Council reviewed and discussed a report on the Master Fee Schedule for 1999-00, and indicated that staff's recommendations were satisfactory. For reference, the agenda report presented at the work session appears as Attachment C. Any changes that Council may wish to make as a result of the public hearing will be incorporated into the Master Fee Schedule and reflected in the June 22 agenda report.

During its review of the budget, the Council also examined proposed changes to water and sewer service charges. As a result of increases in water charges of 35% approved by San Francisco, it is necessary to adjust fees to Hayward water customers. As shown in accompanying charts, the increased cost to a typical single family customer will average \$2.37 per month. Even with the adjustment, Hayward will continue to have among the lowest water charges in the area.

It is also proposed that sewer service charges be adjusted. For a single family home, the increase is \$.87 per month. In spite of this increase, the monthly charge to a single family residence will continue to be among the lowest in the area. Indeed, only entities which receive property tax revenues will have lower charges.

The new fees are proposed to take effect October 1, 1999.

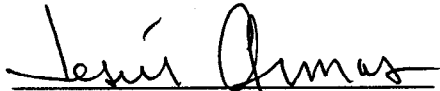
Public Hearing and Adoption of Budget

The purpose of the June 8 public hearing on the budget and related documents is to provide an opportunity for the Council to receive testimony from the public on the budget proposals and the 1999-00 Gann Appropriation Limit (Attachment D). As the Council will recall, the Gann Limit, or State Proposition 4 approved by California voters in November 1979, places limits on the amount of revenue that can be spent by government agencies. The limit is based on actual appropriations during the 1978-79 fiscal year (the "base" year) and is increased each year using population and

inflation growth factors. The City's recommended annual budget has been far below the limit each year, which is the case again for 1999-00.

At the conclusion of the June 8 public hearing, the Council is requested to provide direction to staff so that the necessary implementing budget resolutions can be prepared and presented for formal action on June 22, 1999.

Approved by:


Jesús Armas, City Manager

Attachments:

- A - Budget Message
- B - Budget Issues/Adjustments and Narrative Modifications
- C - Master Fee Schedule
- D - Gann Limit Information



May 7, 1999

Honorable Mayor and City Council:

In keeping with your direction, I am pleased to present to you a recommended operating budget for fiscal years 1999-2000 and 2000-2001. More than a decade has passed since the City last developed a budget covering two years. Preparing and acting on a spending plan for two years offers many advantages, not the least of which is the ability to develop priorities over two years rather than the single-year period which has been the norm in recent years. I applaud the Council for its decision to return to a two-year budget format.

In the budget message for the current fiscal year, I noted that the economy's strong performance was finally allowing some augmentations to be made to the budget. Fortunately, we find that the economy has remained strong and I am again recommending modest enhancements to the budget. I would like to point out, however, that the recommended enhancements have been structured to comply with Council's continuing fiscal policy of matching current year revenues and financial resources with expenditures. Most of the augmentations are to the City's General Fund, although other funds, such as the Water and Wastewater Funds are affected as well. These changes are more fully discussed later in this message.

During this year's Mid-Year Budget Review work session, Council discussed the state of the City's financial condition and received input from staff and members of the community. At the conclusion of the work session, the Council provided direction to staff with regard to its priorities for the upcoming budget cycle. This two-year budget responds to these priorities.

TWO YEAR PRESENTATION FORMAT

Although the recommended budget pertains to two fiscal years, in keeping with the requirement found in the City Charter for an annual budget, the budget ultimately approved by the Council applies only to FY 1999-00. The second year of the budget presented herewith, involving FY 2000-01, is considered a spending plan. However, it is this spending plan that will serve as the framework for the budget that will be presented to you next Spring for formal action. As noted at the mid-year budget work session, it is anticipated that the Council will consider very few changes to the FY 2000-01 budget. Indeed, it is expected that the only changes to be entertained by the Council will be those that are due to unforeseen expenses or which concern significant new initiatives that cannot await consideration until the next two-year cycle. To do otherwise, (that is, to revisit second-year spending priorities) will defeat the purpose and efficiencies realized from the preparation of a two-year budget.

OFFICE OF THE CITY MANAGER

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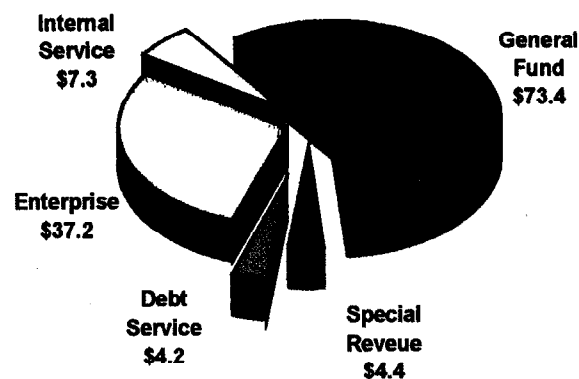
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Arranging two years of budget information presents a special challenge. Accordingly, for the sake of convenience, an overall budget overview is provided for each year. Further, within the budget document, financial information is presented in columnar form in a side by side format. In this fashion, the reader is able to review proposed revenues and expenditures for each year, as well as relative changes from one year to the next. Finally, within the body of the main document, the reader will observe changes to the budget format. For instance, rather than continue the past practice of noting recurring duties of a department or division as objectives, such matters have been incorporated into the applicable description for the department or division. As a result, compared to the format of prior years, the reader will see expanded descriptions, but also fewer objectives. This approach was deemed necessary to avoid printing an unwieldy document. Lastly, as this is the first two-year budget in a number of years, it is appropriate to view this presentation as a "work in progress". Undoubtedly, in the course of the Council's budget work sessions, ways to improve the document will surface. This feedback is welcomed, and can serve as the basis for improving the next two-year budget.

BUDGET OVERVIEW—1999-2000

The recommended 1999-00 operating budget is a balanced spending plan totaling \$126.5 million for all funds. Of this amount, \$4.4 million is for Special Revenue Funds, \$7.3 million is for Internal Service Funds, \$4.2 million is for Debt Service Funds, \$37.2 million is for Enterprise Funds, and \$73.4 million is for the General Fund. The following chart illustrates the composition of the City's operating budget by fund type.

City of Hayward Operating Budget—All Funds
(\$ In Millions)



This message focuses primarily on the General Fund, as this is where the City's police, fire, community and economic development, public works, library and general administrative services are budgeted. By way of summary, the following table provides an overview of the total General Fund revenues and expenditures as recommended for 1999-00.

**1999-00
General Fund**

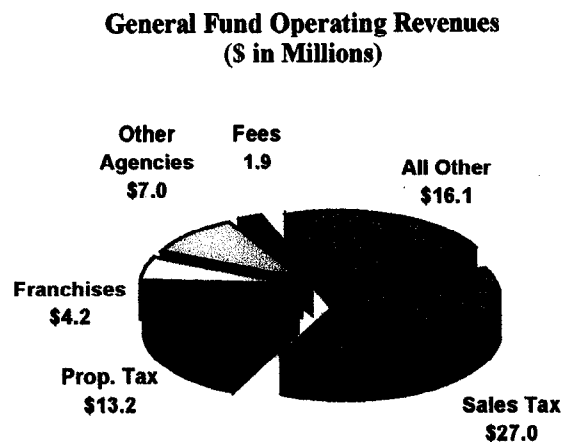
**Revenues and Expenditures
(\$000's)**

Revenues	\$ 69,360
Expenditures	65,899
Transfers In	4,151
Transfers Out	7,535
Beginning Fund Balance	14,428
Ending Fund Balance	\$14,505

As stated earlier, recurring General Fund expenditures are in line with recurring revenues. Further, General Fund reserves have been maintained at the same level as established in 1997-98, which is \$7.5 million. The purpose of the reserves is to provide the General Fund with additional resources during periods of economic uncertainty and to meet necessary liquidity requirements.

Revenue Estimates – Sources of Funds

The General Fund's revenues come from several sources. The two main sources are Sales Tax and Property Tax. However, there are other important revenue sources for the General Fund, such as the Real Property Transfer Tax and the Supplemental Building Construction and Improvement Tax. The chart below provides a quick overview of General Fund revenue sources.



Sales Tax. Sales tax revenue is estimated at about \$27 million for 1999-00. This represents an increase of approximately \$1.3 million (or about 5%) over the most recent estimate for 1998-99. This is an optimistic growth rate, but one that is supported by the general state of the economy. It will be important, as it is in any year, to carefully monitor this revenue source to determine if

there are any signs of weakening. Should that become the case, then the issue will be addressed at the budget work session early next year. Finally, it should be noted that the sales tax revenue estimate for 1999-00 includes adjustments for any known increases or decreases that might occur and this information is reflected in the final projected growth rate.

Property Tax. At last, property tax revenue is starting to realize some growth. The revenue estimate for 1999-00 is up over mid-year revised estimates for 1998-99 by \$385,000 or 3%. In view of the pace of real estate activity and preliminary estimates of assessed value growth, this growth rate is "cautiously optimistic".

Other Sources. Several other revenue sources are estimated to increase for 1999-00. More specifically, the Real Property Transfer Tax, Supplemental Building Construction and Improvement Tax and the Motor Vehicle In-Lieu Tax are budgeted to realize significant increases for next year. All three revenue sources are tied directly to the economy. If the economy is doing well, then increases are seen in these revenues. Revenue estimates for 1999-00 are based on actual performance to date and anticipated growth. All other revenue sources are generally up, but to a lesser degree.

Before closing this section, it is important to note that budget makes the assumption that the State will take no action that will place the Motor Vehicle In-Lieu at risk. While there is currently no legislation in process that would affect the Motor Vehicle In-Lieu Tax, it is important to monitor the State's actions in this area. Recent newspaper articles have suggested that vehicle owners will see yet another reduction in their registration fees, although the State is expected to backfill this important revenue source to local governments.

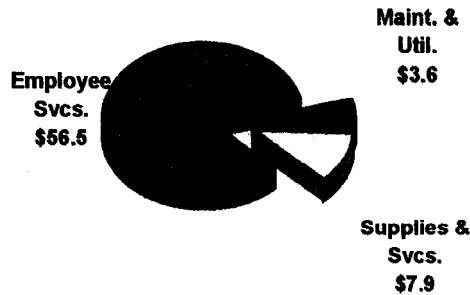
The final area to show significant revenue growth is Licenses and Permits. More specifically, Building, Electrical, Plumbing and Mechanical Permit Revenue continues to benefit from sustained construction activity. On a total category basis this revenue source is estimated to exceed the current year by about \$644,000. As with Sales Tax revenue or the Real Property Transfer Tax, this revenue area is directly dependent upon the economy. Should the building boom see a significant slowdown then this revenue area will decline also.

The overall effect of continued but moderate growth allows the City to maintain reserves, fulfill contractual obligations with regard to salary adjustments, and address other operating requirements.

Expenditure Projections – Use of Funds

The largest expenditure category for the General Fund is, of course, Employee Services. Given the fact that local government, including the City of Hayward, is a service provider, this is no surprise. Other expenditure categories include Maintenance and Utilities, Services and Supplies and Capital Expense. The pie chart, which follows, provides a quick overview of the relationship of these expenditure categories.

General Fund Operating Expenditures
(\$ in Millions)



Employee Related Costs. Personnel salary and benefit expenses comprise approximately 82% of the City's General Fund operating costs. For 1999-00, all negotiated salary and benefit increases are factored into the expenditure assumptions.

Of particular importance this year is a significant decrease in Public Employees Retirement System (PERS) employer contribution rates, as a result of investment income realized by PERS. In Hayward, these lower rates generated General Fund savings of about \$2.5 million. Staff has used the new rates for 1999-00 and for 2000-01. However, it should be noted that there is no guarantee that these lower rates will remain in effect for 2000-01. Consequently, staff is recommending that a PERS reserve of \$1 million be established in the 1999-00 budget. The purpose of the reserve will be to provide a cushion should PERS rates increase in 2000-01. As Council may remember, PERS has a history of rate swings that can place the most conservative budget in peril. Indeed, PERS increases often come at the wrong time. When local governments experience lower revenues due to a decline in the economy, PERS will often encounter a drop in investment earnings. The end result is that PERS will then find it necessary to increase rates to member agencies. Hence, local governments must contend with fewer dollars to support higher costs. The recommended reserve, then, should be viewed as a precaution against possible future increases by PERS, and the concomitant negative impact on the budget.

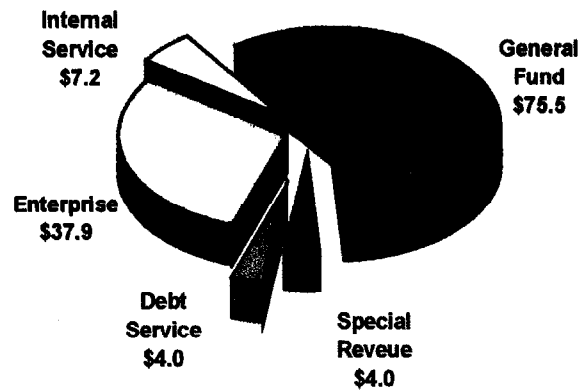
Non-Personnel Expenditures. The other primary expenditure categories, Maintenance and Utilities and Supplies and Services and Capital have been increased where necessary to meet contractual, mandated or otherwise unavoidable costs and where the maintenance of service levels requires the acquisition of specific goods or services. In addition, the budget provides funds in selected departments for efficiency improvements and to support efforts directed toward meeting the Council's programmatic priorities for the next year.

In particular, I would like to point out that the 1999-00 budget contains a transfer to the Equipment Management Fund of \$370,000. This transfer is for the purpose of purchasing public safety vehicles as well as other needed equipment.

BUDGET OVERVIEW—2000-2001

The recommended 2000-01 operating budget is a balanced spending plan totaling \$128.6 million for all funds. Of this amount, \$4 million is for Special Revenue Funds, \$7.2 million is for Internal Service Funds, \$4 million is for Debt Service Funds, \$37.9 million is for Enterprise Funds, and \$75.5 million is for the General Fund. The following chart illustrates the composition of the City's operating budget by fund type.

City of Hayward Operating Budget—All Funds
(\$ In Millions)



By way of summary the following table provides an overview of the total General Fund revenues and expenditures as recommended for 2000-01.

General Fund

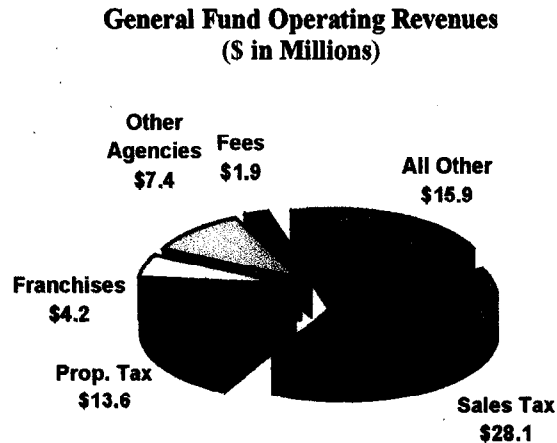
Revenues and Expenditures (\$000's)

Revenues	\$ 71,086
Expenditures	69,042
Transfers In	4,496
Transfers Out	6,450
Beginning Fund Balance	14,505
Ending Fund Balance	\$14,595

As is the case for FY 1999-00, recurring General Fund expenditures are in line with recurring revenues. In addition, General Fund reserves have been maintained at \$7.5 million. The purpose of the reserves is to provide the General Fund with additional resources during periods of economic uncertainty and to meet necessary liquidity requirements.

Revenue Estimates – Sources of Funds

The chart below provides a quick overview of projected General Fund revenue sources for 2000-01.



Sales Tax. Sales tax revenue is estimated at \$28.1 million for 2000-01. This represents an increase of slightly more than \$1 million (or 4%) over the estimate for 1999-00. This is an optimistic growth rate, but one that is supported by the general state of the economy. It will be important, as it is in any year, to carefully monitor this revenue source to determine if there are any signs of weakening.

Property Tax. It is anticipated that property tax will continue to show strong growth in 2000-01. The revenue estimate for 2000-01 is up over 1999-00 by approximately \$400,000 or 3%. The key assumption for 2000-01 is that the Bay Area real estate market will continue to be active resulting in upward pressure on real estate values.

Other Sources. With respect to other revenue sources it is estimated that there will be a flattening of certain revenues. More specifically, the Real Property Transfer Tax, Supplemental Building Construction and Improvement Tax and the Motor Vehicle In-Lieu Tax are budgeted to realize only moderate increases for 2000-01. This is a conservative approach and reflects the fact that predicting these volatile revenues out two years carries a higher degree of risk.

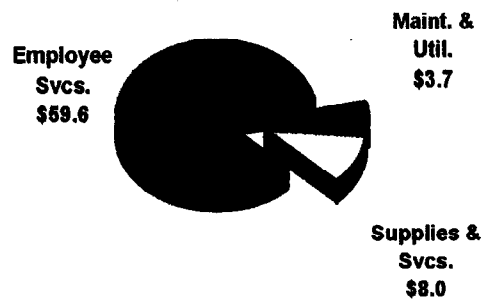
Certain other revenues are budgeted to show a decline in 2000-01 compared to 1999-00. These revenues are, specifically, Building, Electrical, Plumbing and Mechanical Permit Revenues. The reduction is due to the fact that staff sees a slowing from the current pace of development. Budgeted revenues will still remain high, in view of historical levels, however.

Overall, revenues continue to show growth, but at a reduced rate from 1999-00.

Expenditure Projections – Use of Funds

Just as is the case in 1990-00, the largest expenditure category for the General Fund for 2000-01 is Employee Services. The pie chart, which follows, provides a quick overview of the relationship of all expenditure categories.

General Fund Operating Expenditures (\$ in Millions)



Employee Related Costs. Personnel salary and benefit expenses comprise approximately 82% of the City's General Fund operating costs. Salary and benefit increases for 2000-2001 are consistent with increases authorized for 1999-00.

Of particular importance this year is the addition of six police officers at an estimated cost of \$500,000. This addition reflects Council's commitment to add a total of eighteen officers to the permanent staff over a six-year period. (The first group of six positions were funded in 1998-99, and the final group of six is projected to occur in 2002-03.)

Non-Personnel Expenditures. The other primary expenditure categories, Maintenance and Utilities and Supplies and Services and Capital have been increased where necessary to meet contractual, mandated or otherwise unavoidable costs and where the maintenance of service levels requires the acquisition of specific goods or services. In addition, the budget provides funds in selected departments for efficiency improvements and to support efforts directed toward meeting the Council's programmatic priorities for the next year.

Again in the 2000-01 budget, a transfer to the Equipment Management Fund is proposed. For the second year, the transfer equals \$190,000. This transfer is for the purpose of purchasing various vehicles.

RESPONSE TO COUNCIL'S PRIORITIES

As noted previously, during the mid-year budget work session, a number of priorities were established for the purpose of guiding the development of this two-year budget. The following describes how the recommended budget addresses these priorities.

Public Safety.

The budget continues to recognize the importance of public safety to this community. With regard to the Police Department, this budget implements the second phase of a multi-year strategy to enhance staffing levels. In this regard, the second year includes \$500,000 to add six new positions in patrol. Because of the long lead-time associated with putting a new officer in patrol, it is my intent to rely on the "over-hire" authority granted by the Council to authorize the Police Chief to accelerate the hiring of these positions. Relying on federal funds from a previously approved grant, together with savings and certain departmental efficiencies, this early hiring can occur within existing funding levels in 1999-00. Under this arrangement, it is anticipated that the six new officers could be performing their duties as soon as January 2000.

In 1999-00 and 2000-01, the Police Department budget includes funds to support 2.5 positions to assure that evidence from crime scenes is properly safeguarded and processed. In addition, staffing was added in 1999-00 to augment the Property Unit, which records and stores all crime scene evidence. These changes address recent legislation that has placed more stringent rules on the acquiring, processing and storage of evidence.

In the Fire Department, significant progress is being made in the paramedic program. With the addition of recent hires, combined with the training of existing personnel, we are rapidly approaching the point where the paramedic program will be fully and completely operational. Administration of this program is increasingly complex and sophisticated, requiring skill levels not currently found in the department. To assure the necessary skill level exists without an increase to the general fund, the budget recommends deleting the position of Administrative Services Officer and adding an EMS Coordinator position.

Owing to a number of retirements, the budget includes funding to conduct a recruit academy. As was done with recent hires, new employees will be hired as paramedics and trained to be firefighters.

Finally, the department plans to continue efforts initiated this year to train residents to cope with serious emergencies. On a related point, a disaster drill will be planned early in the fall to assure that the City organization is prepared to respond to an emergency.

Library Services

At mid-year, the Council indicated its interest and support for funding an expansion of the Weekes Library. As part of its review of the CIP budget, the Council will note a two-phase approach to accomplish this goal. That budget includes \$100,000 to design the improvements in 1999-00, and \$1 million in 2000-01 to construct the improvements. I am pleased to report the

Friends of the Library have agreed to contribute funding necessary to initiate the design effort. With regard to construction funding, it projected that the current budget will generate a surplus of at least \$500,000. It is proposed that this surplus be placed in reserves to begin to accumulate sufficient funding to support the construction in 2000-01.

In addition to support for the Weekes project, increased funding is also provided to enable the department to increase its purchase of books and other material. New funding of more than \$50,000 is proposed in 1999-00 and \$45,000 in 2000-01. One part-time Library Page to augment Weekes Branch staffing is also recommended in 2000-01.

Neighborhood Services.

In this area, we are finally able to beef up our efforts with regard to community preservation. The budget recommends the addition of three new positions including related support staff in 1999-00. These positions will enable a more proactive strategy to be employed, beyond the largely complaint-driven effort that exists today. The new personnel, along with the current effort at providing enforcement on Saturdays should go along way toward bettering conditions in the neighborhoods. The neighborhood focus program started a couple of years is slated to continue. Finally, the budget includes \$50,000 to initiate a neighborhood matching program.

Redevelopment Opportunities and General Plan Update

As the Council is aware, auto-related sales represent an important segment of total sales tax revenue. From the standpoint of land use, the Council has expressed its support for appropriate transit oriented development. The Mission Boulevard corridor represents a unique opportunity to address both of these important objectives. Hence, funding is included in the first year to study the feasibility of creating another redevelopment area. At the outset, the boundaries of the study area will be the area between the northern and southern City limits along Mission, including the South Bart Station, down to Industrial.

On a broader scale, it has been more than a decade since the general plan has been updated on a comprehensive basis. Hence, funding is included in the second year undertake the process leading to the preparation of a new plan.

Development Activity.

As noted at mid-year, it is important that we renew our efforts at improving the processes employed by the City to handle development activity. Within the Department of Community and Economic Development, the Council will see a number of steps that are proposed to improve City operations. The reorganization of certain functions, combined with the addition of a new expeditor position, and recommended funding to purchase a new online permit tracking system (as part of the CIP budget) are expected to improve the manner in which we handle permit applications.

Technology

As mentioned at the mid-year session, we have been exploring ways to improve our attention to technology. From the standpoint of organizational structure, the recommended budget proposes to shift oversight for this critical area from the Finance Department to the Office of the City Manager. To underscore the importance of a comprehensive management of technology issues, the budget recommends the creation of a new position, Technology Services Manager, in 1999-00. Reporting to the Assistant City Manager, this position is intended to not only provide direction across departmental lines, but also assure that decisions with regard to the acquisition of hardware and software are strategically sound, as well.

In addition to the on-line permit tracking system described above, funding is also provided in both years to continue the systematic effort initiated with the move to the new City Hall to replace or upgrade obsolete equipment. Another significant investment relates to the continued upgrades to the CAD/RMS system which serve the public safety departments. Initially funded with federal funding, the improvements are viewed as a prototype of systems to be used by other police departments. A presentation to the Council of the capabilities of this new system is planned for the Fall.

City Infrastructure

The condition of the City's streets and sidewalks continue to need attention. The CIP budget provides funding to address both areas. In addition, funding is proposed in this budget to augment staffing to add another patching crew. This is deemed necessary in light of the aging of the streets combined with the effects of the rains of recent years. With regards to sidewalks, the CIP budget maintains funding to repair sidewalks. However, this is proposed to be the final year in which the lottery system is employed to determine the sidewalks to be repaired. Pursuant to your direction, by the end of the calendar year, staff plans to present to you a new program which will structure repairs in a fashion that will focus on an entire specified location, instead of the current, piecemeal practice.

With regard to the water and sewer systems, as has been the practice in recent years, staff is once again recommending significant transfers from the operating budgets to the CIP budget to support improvements to both systems. These transfers are essential to safeguard the condition of these two utilities. A list of specific projects is contained within the CIP budget.

Overtime Expenses

At the mid-year work session, staff noted the need to undertake steps to reduce overtime costs. As stated at that time, most of these costs are incurred in the public safety departments. In the Police Department, these equaled \$2.6 million in 1997-98, while the Fire Department experienced a total of \$2.3 million for the same period. In reviewing what contributed to these expenses, two major reasons surfaced. First, given the nature of the work of each department, it is necessary to maintain certain minimum staffing levels. Due to vacancies, injuries and mandated training, there are occasions when there are insufficient personnel to meet

the requisite staff levels. As a result, it becomes necessary to call upon on existing personnel to work on an overtime basis. Another major reason, particularly in the case of the Police Department, is that authorized staffing levels do not provide sufficient margins to cope with those cycles in the year in which there may be an unusual number of injuries, or turnover. In the case of the Fire Department, a good portion of overtime expenses were incurred as a result of the paramedic training provided to existing personnel. As most of this training has been completed, this will not be a recurring expense.

A certain amount of overtime cost is unavoidable. At the same time, it is also possible to look at opportunities to contain such expenses. Consequently, funding for overtime expenses is proposed at about \$1.9 million in the Police Department, and \$1.6 million in the Fire Department. Both departments have been instructed to operate within these funding levels. These levels are not to be exceeded except for extraordinary and unforeseen emergencies (or criminal cases in terms of Police) or with prior approval from my office. In the case of the Police Department, the Council previously approved a plan to augment staff in 2000-01 and then again in 2002-03. Overtime costs should ultimately be contained when this staffing plan is fully implemented. Further, with the accelerated hiring proposal described above, more officers will be deployed sooner, and this too should have a positive impact on overtime expenses.

In the case of the Fire Department, as noted, paramedic training contributed to overtime expenses. As the comprehensive training program has been completed and will not have to be repeated, this should generate reduced overtime costs. In addition, the Department is exploring various administrative strategies to contain these costs as well.

Although overtime expenses continue to be significant, they need to be put in the context of the overall departmental budgets, and the fact that both departments run a 24-hour a day operation. Still, both departments have expressed a commitment to employ various techniques to keep these costs to a minimum, although it will likely be the second year when cost containment is achieved.

Other Issues

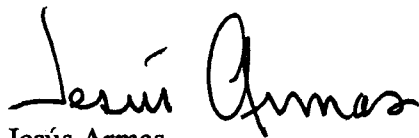
Master Fee Schedule. Under separate cover, the Council will be presented recommended change to certain City fees. As explained elsewhere, adjustments in both water and sewer are proposed. In addition, to support the online tracking systems described above, a surcharge is proposed. As this surcharge is intended to be in effect for two years, a sunset date for the expiration of this fee is also recommended.

CLOSING REMARKS

I believe that 1998-99 has been a good year for the City. This year will see the completion of a new mixed-use retail/parking structure, stabilizing revenues, the opening of Giuliani Plaza, the completion of the D Street improvements, an update to our Home Page, and the list goes on. However, the challenge is not to enumerate past successes, but to pursue a new set of "accomplishments" for next year. I believe that this recommended budget provides the resources to do that and recognizes the objectives that Council has identified.

I would be remiss if I did not acknowledge and thank all of the individuals who are instrumental in developing and producing this budget. In addition, I want to credit the employees of the Budget Advisory Group (BAG) for their assistance in the budget process and I want to acknowledge the interest and dedication that this kind of participation represents. The City of Hayward is fortunate to have a competent and dedicated staff and I extend my sincere thanks to those responsible for their efforts toward the completion of this budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jesús Armas". The signature is fluid and cursive, with the first name "Jesús" written in a larger, more prominent script than the last name "Armas".

Jesús Armas
City Manager

BUDGET ISSUES/ADJUSTMENTS

During the budget work sessions, certain information was requested by Council Members. In addition, Council indicated that certain changes should be made to the draft budget with respect to Program Descriptions, Major Policy Decisions, Objectives, etc. The following information is in response to the requests made by Council.

Miscellaneous

- **Comparison Data** – A per capita expenditure comparison of Hayward to other cities was requested, and is attached.
- **City and County of San Francisco Water Rates** - San Francisco has two water consumption rates: a rate of \$1.26 per CCF for customers who have submitted a Conservation Affidavit, and \$1.88 per CCF for customers who have not. (A Conservation Affidavit is self-certification that customers have, to the extent possible, retrofitted appliances with water-saving devices, such as low-flow showerheads, faucet aerators, and low-flow toilets. Over 90% of San Francisco customers participate in this program.) A monthly meter service charge of \$3.40 for residential units is assessed. A bi-monthly water billing for a customer who uses 20 CCF of water and has submitted a Conservation Affidavit would be \$32.00.
- **City and County of San Francisco Monthly Sewer Service Charges** – The residential sewer service charge is based on water consumption. Using a two-tier formula, residents are assessed sewer service on 90 percent of their water consumption. According to the 1998-99 Wastewater User Charge Survey Report, published by the State Water Resources Control Board, the average monthly single-family residential sewer billing in 1998-99 in San Francisco was \$24.68
- **Summary Data for Departments and Enterprise Funds** – It was suggested that summary data, related to expenditures per department, be included in the budget. In addition, it was suggested that summary totals for the enterprise funds be prepared as well. This information will be prepared in an appropriate format and included in the budget document when it is printed in final form.

NARRATIVE- MODIFICATIONS

Mayor and Council

Page 24 - Add Alameda County Waste Management Authority and Alameda County Source Reduction and Recycling Board to Mission Statement function chart.

Page 27 - Expand Program Description section, second paragraph, by adding another service that Council provides:

The Mayor and City Council Program provides ... producing Focus on Hayward, as well as direction for enhancements to the City's HomePage.

Page 27 - Modify Major Policy Decisions section, first and second bullets:

- *Provided policy direction in expansion of the Downtown Hayward Redevelopment Area*
- *Provided overall budget and fiscal priority direction that included the implementation of a multiple year budget process*

City Manager

Page 33 – Add to 1999-00 Objectives:

Establish overall technology strategy, with related implementation benchmarks.

Analyze and develop recommendation regarding appropriate staffing levels in the Technology Services Division, by the third quarter.

Public Works Administration

Page 132 – Add to 1999-00 Objectives:

Evaluate cost and related impacts of allowing left turns from northbound Foothill Boulevard, to westbound B Street, with evaluation to be completed by third quarter.

Centennial Hall

Page 350 - Add to 1999-00 Objectives:

Evaluate feasibility of renovating Centennial Hall to function as a conference facility, with evaluation to be completed by second quarter.

Comparison of Per Capita City Expenditures

Cities Location	Population	Police Services	Fire Services	Community Development	Library Services	Public Works	General Government
Fremont	192,160	\$161	\$100	\$41	\$4	\$25	\$59
Hayward	123,934	\$189	\$115	\$73	\$18	\$33	\$85
Vallejo	116,148	\$178	\$92	\$553	\$12	\$127	\$34
Berkeley	105,927	\$257	\$163	\$124	\$76	\$105	\$232
Daily City	101,349	\$117	\$70	\$143	\$15	\$23	\$38
Santa Clara	100,030	\$198	\$210	\$47	\$35	\$101	\$196
Richmond	93,015	\$298	\$140	\$177	\$38	\$70	\$115
San Mateo	92,180	\$145	\$104	\$52	\$33	\$45	\$46
Alameda	80,815	\$183	\$122	\$138	\$24	\$171	\$37
San Leandro	72,603	\$176	\$118	\$99	\$33	\$91	\$65
Palo Alto	59,862	\$225	\$214	\$117	\$59	\$123	\$201

Data obtained from State Controllers Report for fiscal year 1996-97, the most recent report published by the state.



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 05/25/99

AGENDA ITEM _____

WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Finance and Internal Services Director
SUBJECT: Master Fee Schedule For 1999-2000

RECOMMENDATION:

It is recommended that the City Council review and comment on the following report regarding the Master Fee Schedule for 1999-2000.

BACKGROUND/DISCUSSION:

Each year, staff reviews the Master Fee Schedule to ensure that the various fees and service charges are appropriate and within State Guidelines. A review was conducted for the 1999-2000 budget year and based on that process several changes are recommended for Council's consideration.

The recommendation contained in this document has been developed pursuant to applicable Government Codes and the City's fee recovery policy. Changes to the Master Fee Schedule are explained in detail under departmental narratives that follow. For ease of reference, all fee changes to the Master Fee Schedule are in table form after the departmental narrative. The summary table gives a brief description, current fee, proposed fee, cost recovery amount, and the average of what other cities charge for a similar service, where applicable.

The current fee represents the amount adopted by Council. The proposed fee is staff's recommendation. The cost recovery is the total direct and indirect cost of the service. The other cities cost is an average of the City of Oakland, City of San Leandro and City of Berkeley charge for a similar service.

A complete copy of the current Master Fee Schedule is on file in the City Clerk's Office. The current Master Fee Schedule has all changes adopted by the Council during the current fiscal year, including cost of living adjustments to certain fees provided for by earlier Council action.

The following are descriptions by department of the requested fee changes.

COMMUNITY AND ECONOMIC DEVELOPMENT

A new fee is proposed for landscape inspection. The purpose of the fee is to recover city labor and material costs for inspecting landscape installation for compliance with landscape codes and city-approved plans.

Another new fee that is being proposed is the Technology Permit Surcharge. The City has experienced an increase demand for faster permit processing and user's access to computerized information of specific permits. Many developers have expressed an interest in a faster permit processing system to avoid time delays, which are costly to the development process. After a study of available technology, staff has determined that an efficient permit processing system would cost about \$300,000. To ensure user costs are allocated fairly, staff proposes a two-tier fee structure to cover the technology cost of processing permits. The first tier would be based on the building permit valuation of \$25,001 to \$100,000. The second tier would be based on the building permit valuation of \$100,001 and more. Building permit valuations under \$25,000 would not be charged. It is estimated this fee structure will generate about \$150,000 annually. The cost of the permit technology system will be covered in 2-years and it is recommended the fee sunset by July 1, 2001.

The Building Division is requesting the adoption of penalties for certain inspections. The penalty charges are to encourage service users to comply with City ordinances and inspection codes. The enforcement penalties are proposed to recover the City's cost of inspecting non-comforting conditions. Below is a list of the proposed changes.

Fee Description:	Current Fee:	Proposed Fee:	Cost Recovery:	Other Agencies
Planning Division:				
Landscape Inspection	New	\$90 /Inspection \$50/Re-inspection	\$90/Inspection \$50/Re-inspection	\$ 75.00 \$ 57.00
Technology Permit Surcharge:				
Building Valuation: \$25,001 to \$100,000	New	\$100.00	N/A	N/A
Building Valuation: \$100,001 & More	New	\$250.00	N/A	N/A
Building Valuation: under \$25,000	New	None	N/A	N/A
Building Division:				
Comm. Preservation Violation	New	\$125 Penalty only	\$250.00	N/C
Additional Inspections	New	\$45.00 Penalty	\$ 90.00	N/C
Weed Abatement Re-inspection	New	\$ 90.00 & \$ 45.00 Penalty	\$ 90.00	N/C
Request For 2 nd Extension	New	\$ 50.00 Penalty	N/A	N/C
Survey Inspection No Access 2 nd Time	New	\$100.00 Penalty	N/A	N/C

Survey Inspection No Access 3 rd Time	New	\$200.00 Penalty	N/A	N/C
Survey Inspection No Access 4 th Time	New	\$300.00 Penalty	N/A	N/C
Re-inspection Progress Check No-Access 2 nd Time	New	\$100.00 Penalty	N/A	N/C
Re-Inspection Progress Check No Access 3 rd Time	New	\$200.00 Penalty	N/A	N/C
Re-Inspection Progress Check No Access 4 th Time	New	\$300.00 Penalty	N/A	N/C

FINANCE AND INTERNAL SERVICE DEPARTMENT

The proposed annual changes to the assessment district fees are in accordance with bond issuance agreements, which state that fees will be adjusted annually based on the consumer price index or 5 percent whichever is less. The proposed adjustment is 3.8 percent, which is based on the consumer price index for the Bay Area.

The rental rates for Centennial Hall have not been changed since fiscal year 1995-1996. The proposed rate increases is 3 percent above existing rates rounded up or down to the nearest whole \$5.00 increment. These proposed rate changes are to partially recognize the Bay-Area consumer price index.

Fee Description:	Current Fee:	Proposed Fee:	Cost Recovery:	Other Agencies:
Assessment Fees:				
Establishment Fee	\$2,331.00	\$2,420.00	\$2,420.00	N/A
Administration Fee	\$2,219.00	\$2,303.00	\$2,303.00	N/A
Bond Call Fee	\$ 223.00	\$ 232.00	\$ 232.00	N/A
Centennial Hall:	Proposed Rate:	Proposed Rate:	Proposed Rate:	Proposed Rate:
	Non-Food or Beverage Drink	Non-Food or Beverage Drinks	Food and/or Beverage Drinks	Food and/or Beverage Drinks
	Commercial	Non-Commercial	Commercial	Non-Commercial
Hall A & B	\$1,940.00	\$1,165.00	\$2,005.00	\$1,360.00
Hall A or B	\$1,210.00	\$ 805.00	\$1,360.00	\$1,030.00
Room 1	\$ 125.00	\$ 115.00	\$ 145.00	\$ 140.00
Room 2	\$ 125.00	\$ 115.00	\$ 145.00	\$ 140.00
Room 3	\$ 125.00	\$ 115.00	\$ 145.00	\$ 140.00
Room 4	\$ 390.00	\$ 375.00	\$ 570.00	\$ 515.00
Room 5	\$ 80.00	\$ 80.00	\$ 95.00	\$ 90.00
Room 6	\$ 280.00	\$ 260.00	\$ 365.00	\$ 350.00
Room 7	\$ 200.00	\$ 195.00	\$ 275.00	\$ 260.00
Room 8	\$ 160.00	\$ 150.00	\$ 195.00	\$ 190.00
Patio	\$ 190.00	\$ 165.00	\$ 240.00	\$ 220.00

Mezz A & B	\$ 165.00	\$ 160.00	\$ 215.00	\$ 200.00
Mezz A or B	\$ 130.00	\$ 115.00	\$ 155.00	\$ 200.00
Room 7 & Patio	\$ 320.00	\$ 305.00	\$ 390.00	\$ 375.00
Room 8 & Patio	\$ 285.00	\$ 270.00	\$ 355.00	\$ 335.00
Room 7,8 & Patio	\$ 440.00	\$ 420.00	\$ 605.00	\$ 570.00

LIBRARY DEPARTMENT

The library operations proposed 6 changes to existing fees, which includes 5 administrative changes and 1 fee increase. The 5 administrative changes are related to the wording of overdue fines. Staff proposed 4 changes to the wording from maximum with a dollar amount to maximum-cost of the item. The fifth administrative change is changing the wording of notification by postcard to notification by mail.

The video- cassette- tape overdue fee is currently \$0.10/per day. Staff proposed changing the fee to \$1.00/per day to recover the actual cost of processing overdue materials.

Description:	Current Fee:	Proposed Fee:	Cost Recovery:	Other Agencies:
Print Material	Maximum-\$6.00	Maximum-Cost of Item	Cost of Item	Cost of Item
Video Tapes	Maximum-\$6.00	Maximum Cost of Item	Cost of Item	Cost of Item
Cameras	Maximum-\$30.00	Maximum Cost of Item	Cost of Item	Cost of Item
Reference Material	Maximum-\$21.00	Maximum Cost of Item	Cost of Item	Cost of item
Video Tapes	\$0.10 Per Day	\$1.00 Per Day	\$1.00 Per Day	\$2.00 Per Day
Reserve Book	By Post Card	By Mail	N/A	N/A

PUBLIC WORKS DEPARTMENT

Hayward Executive Airport:

It is City policy, to conduct a survey of other agencies' operating rates every 4-years. During the interim years, Hayward Executive Airport rates are adjusted based on 75% of the consumer price index. This represents a three-percent increase over last year's fees. The next survey is schedule for fiscal year 2001-2002. The following table reflects rate increases for 1999-2000.

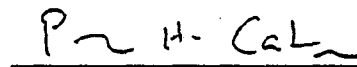
Fee Description:	Current Rate:	Proposed Rate:	Policy Recovery	Other Agencies
Row "A" T-Hanger	\$ 169.00	\$ 174.00	\$ 174.00	Based on Policy
T-Hangers	\$ 236.00	\$ 243.00	\$ 243.00	Based on Policy
Large T-Hanger	\$ 347.00	\$ 357.00	\$ 357.00	Based on Policy

Executive Hanger	\$ 736.00	\$ 758.00	\$ 758.00	Based on Policy
Small Hanger Room	\$ 48.00	\$ 50.00	\$ 50.00	Based on Policy
Medium Hanger Room	\$ 63.00	\$ 65.00	\$ 65.00	Based on Policy
Large Hanger Room	\$ 120.00	\$ 124.00	\$ 124.00	Based on Policy
Extra Large Hanger Room	\$ 154.00	\$ 159.00	\$ 159.00	Based on Policy

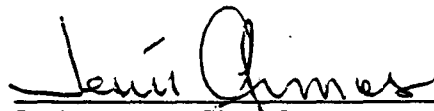
Prepared by:


Carl T. Guiton Jones, Auditor

Recommended by:


Perry H. Carter, Finance Director

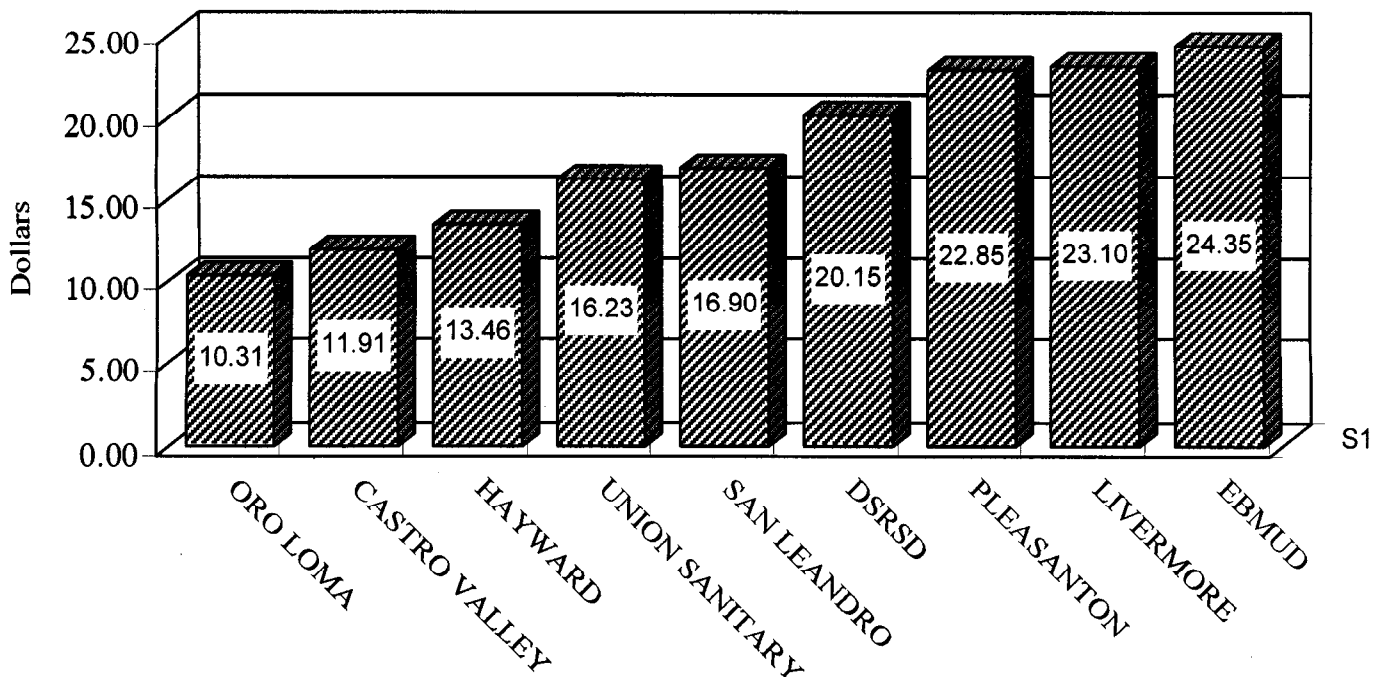
Approved by:


Jesús Armas, City Manager

COMPARISON OF LOCAL AGENCY PROPOSED 1999/2000 MONTHLY SEWER BILLS FOR A TYPICAL SINGLE FAMILY RESIDENCE

Service	Existing Monthly Sewer Service Charge	Proposed Monthly Sewer Service Charge (Effective October 1, 1999)
Single-Family Home	\$12.59	\$13.46
Duplex, Triplex, Fourplex	\$12.59	\$13.46
Multi-Family Unit	\$11.20	\$11.98
Mobile Home	\$8.81	\$9.43
Economy Rate (10 CCF per billing period)*	\$8.60	\$8.95
Lifeline Rate (5 CCF per billing period)*	\$4.30	\$4.47

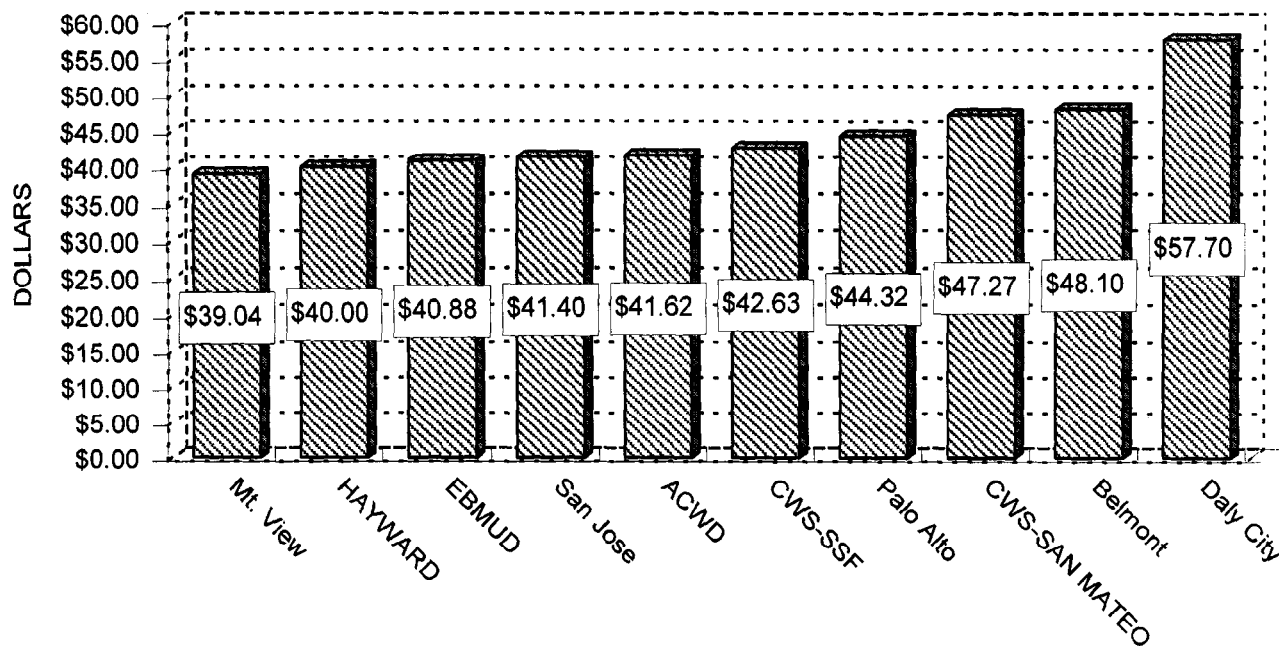
* One CCF is the equivalent of 748 gallons



COMPARISON OF LOCAL AGENCY PROPOSED 1999/2000 BIMONTHLY WATER BILL FOR A TYPICAL SINGLE FAMILY RESIDENCE

Bi-Monthly Water Consumption	WATER COST	
	Current Rate	Proposed Rate
0-20 CCF (0-250 gallons per day)	\$1.40	\$1.65
Over 20 CCF	\$1.70	\$1.95
Average water consumption charge for a single-family residence (19 CCF)	\$26.60	\$31.35
Meter service charge	\$ 7.00	\$ 7.00
Total bill for two months	\$33.60	\$38.35

Note: 1 CCF = 100 cubic feet = 748 gallons



RATES BASED ON 2000 CUBIC FEET BIMONTHLY WATER CONSUMPTION

(249 GALLONS PER DAY)

ATTACHMENT D

CITY OF HAYWARD 1999-00 GANN APPROPRIATION LIMIT

As the result of calculations performed based on applicable state law and the recommended 1999-00 operating and capital budgets for the City of Hayward, the City's 1999-00 Gann Appropriation Limit is

\$138,758,159

The appropriations subject to the Gann Limit total

\$51,091,619

For 1999-00, the City of Hayward is thus under the Gann Appropriation Limit by

\$87,666,540

The material documenting the manner in which the Appropriation Limit was calculated is available from the Director of Finance and Internal Services.